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TAGS: ECON PGOV NI
SUBJECT: NIGERIA: PRESIDENT UNVEILS 2004 BUDGET

REF: A. ABUJA 35

¶B. 03 ABUJA 2086

¶1. President Obasanjo presented the GON's 2004 budget to a joint session of the National Assembly in late December 2003. Total budgetary expenditures were estimated at USD 8.74 billion (naira 1.189 trillion). Total budgetary expenditures comprised, personnel and administrative charges (USD 3.4 billion - naira 459 billion), debt service (USD 2.8 billion - naira 379 billion), and capital expenditure (USD 2.2 billion - Naira 300 billion).

¶2. The total projected revenue was USD 15.88 billion (naira 2.16 trillion). Total projected revenues comprised of; non-oil taxes (USD 4.5 biliion - naira 615 billion), independent revenue (USD 736 million - naira 100 billion), and oil revenues of USD 10.625 billion (naira 1.445 trillion), predicated on a crude oil price of USD 23 a barrel and average daily production of 2.24 million barrels including 150,000 barrels of condensate. The GON retained revenue was, however, estimated at USD 7.51 billion (naira 1.022 trillion), made up of the Federal Government share of the Federation Account (USD 6.6 billion - naira 898 billion), value added tax (USD 176 million - naira 24 billion), and independent revenue (USD 736 million - naira 100 billion).

¶3. Macroeconomic targets announced included a budget deficit of USD 1.2 billion (naira 166 billion) or 1.8 percent of GDP, inflation at 9 percent and average lending rate at 12 percent. Obasanjo gave major priority in his speech to education, health, roads, water supply, electricity, agriculture and security, and fighting financial crimes. Other priority areas included small and medium enterprises, solid minerals, tourism and the development of information technology.

How Feasible Are the 2004 Budget Targets?

¶4. President Obasanjo announced that the budget deficit would be financed through the "domestic capital markets and other sources." He has not been explicit since on what the other sources would be. The GON's issue of bonds in capital market in 2003 was grossly under-subscribed, and the deficit target of 1.8 percent of GDP will be difficult given the Obasanjo administration's average of 4.5 percent deficits since 1999 and high levels of off-budget spending. Expanding the money supply, however, would further fuel inflation, thereby making the 9 percent inflation target unachievable. Achieving a daily oil production target of 2.24 million barrels might not be possible either, owing to continuing communal unrest in the Niger Delta.

¶5. There is also the continuing problem of budget implementation, the Nigerian term for chronic non-expenditure of many items allocated in the budget even after it is passed and signed. The Central Bank did not release funds to government ministries for many expenditures last year, and raided capital accounts for other operational expenditures (Refs A and B). The National Assembly's House Finance Chairman believes, however, that institutional changes are being made (septel) that could have a positive impact on budget implementation.
Roberts